

C. DUKES SCOTT
EXECUTIVE DIRECTOR

1401 Main Street, Suite 900
Columbia, SC 29201



DAN E. ARNETT
CHIEF OF STAFF

Phone: (803) 737-0800
Fax: (803) 737-0801

jnelson@regstaff.sc.gov

Jeffrey M. Nelson
Counsel for ORS

January 9, 2014

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

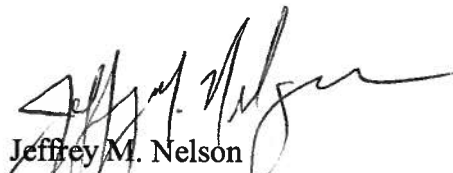
Re: Application of Carolina Water Service, Incorporated for Adjustment of Rates and Charges, and Modification of Certain Terms and Conditions for the Provision of Water and Sewer Service
Docket No. 2013-275-WS

Dear Ms. Boyd:

Enclosed please find the South Carolina Office of Regulatory Staff's Revised Exhibits DFS 1 – 8 of Daniel F. Sullivan's Direct Testimony that was filed with the Public Service Commission of South Carolina in the above referenced matter on December 3, 2013.

Should you have any questions regarding this filing, please contact the parties at your convenience.

Yours Truly,



Jeffrey M. Nelson

Encl.

cc: All Parties of Record (via E-mail)

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2012
Combined Operations

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
Operating Revenues:					
Service Revenues - Water	2,644,085	16,523 (A)	2,660,608	367,620 (DD)	3,028,228
Service Revenues - Sewer	5,635,912	12,317 (A)	5,648,229	645,221 (DD)	6,293,450
Miscellaneous Revenues	221,405	(11,054) (B)	210,351	31,781 (EE)	242,132
Uncollectible Accounts	(55,684)	(116) (C)	(55,800)	(6,843) (FF)	(62,643)
Total Operating Revenues	8,445,718	17,670	8,463,388	1,037,779	9,501,167
Maintenance Expenses:					
Salaries and Wages	1,210,999	(290,386) (D)	920,613	0	920,613
Purchased Power	593,738	(1,784) (E)	591,954	0	591,954
Purchased Sewer & Water - Pass Through	(84,561)	0	(84,561)	0	(84,561)
Maintenance and Repair	917,320	(34,714) (F)	882,606	0	882,606
Maintenance Testing	99,515	(25,242) (G)	74,273	0	74,273
Meter Reading	47,640	(1,103) (H)	46,537	0	46,537
Chemicals	275,085	(11,118) (I)	263,967	0	263,967
Transportation	212,133	(45,140) (J)	166,993	0	166,993
Operating Expense Charged to Plant	(374,531)	191,286 (K)	(183,245)	0	(183,245)
Total	2,897,338	(218,201)	2,679,137	0	2,679,137
General Expenses:					
Salaries and Wages	550,518	35,508 (L)	586,026	0	586,026
Office Supplies & Other Office Expense	294,721	(48,302) (M)	246,419	0	246,419
Regulatory Commission Expense	44,335	154,514 (N)	198,849	0	198,849
Pension & Other Benefits	342,290	(30,123) (O)	312,167	0	312,167
Rent	2,036	0	2,036	0	2,036
Insurance	177,994	0	177,994	0	177,994
Office Utilities	291,717	(7,351) (P)	284,366	0	284,366
Outside Services - Other	141,289	(9,969) (Q)	131,320	0	131,320
Miscellaneous	(2,694)	(2,343) (R)	(5,037)	0	(5,037)
Total	1,842,206	91,934	1,934,140	0	1,934,140
Depreciation	1,184,528	(86,218) (S)	1,098,310	0	1,098,310
Amortization of CIAC	(340,881)	(1,476) (T)	(342,357)	0	(342,357)
Taxes Other Than Income	1,276,323	19,703 (U)	1,296,026	9,994 (GG)	1,306,020
Income Taxes - State & Federal	162,977	176,210 (V)	339,187	393,129 (HH)	732,316
Amortization of Investment Tax Credit	(8,852)	0	(8,852)	0	(8,852)
Amortization of Plant Acquisition Adjustment	(9,862)	0	(9,862)	0	(9,862)
Total	2,264,233	108,219	2,372,452	403,123	2,775,575
Total Operating Expenses	7,003,777	(18,048)	6,985,729	403,123	7,388,852
Total Operating Income	1,441,941	35,718	1,477,659	634,656	2,112,315
Interest During Construction	(12,165)	12,165 (W)	0	0	0
Customer Growth	0	10,423 (X)	10,423	4,612 (II)	15,035
Net Income for Return	1,454,106	33,976	1,488,082	639,268	2,127,350
Original Cost Rate Base:					
Gross Plant in Service	57,248,521	(1,131,788) (Y)	56,116,733	0	56,116,733
Accumulated Depreciation	(10,003,095)	1,939,221 (Z)	(8,063,874)	0	(8,063,874)
Net Plant in Service	47,245,426	807,433	48,052,859	0	48,052,859
Cash Working Capital	592,444	(15,785) (AA)	576,659	0	576,659
Contributions in Aid of Construction	(18,552,488)	66,741 (BB)	(18,485,747)	0	(18,485,747)
Accumulated Deferred Income Taxes	(2,811,142)	0	(2,811,142)	0	(2,811,142)
Customer Deposits	(329,055)	0	(329,055)	0	(329,055)
Advances in Aid of Construction	(1,600)	0	(1,600)	0	(1,600)
Plant Acquisition Adjustment	(304,009)	0	(304,009)	0	(304,009)
Total Rate Base	25,839,576	858,389	26,697,965	0	26,697,965
Return on Rate Base	5.58%		5.57%		7.97%
Operating Margin	5.78%		6.70%		12.69%
Interest Expense	965,578	(44,350) (CC)	921,228		921,228

Note: Return on Rate Base in column (1) is calculated by using Total Operating Income divided by Total Rate Base.

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2012
Water Operations

<u>Description</u>	(1) <u>Application Per Books</u> \$	(2) <u>Accounting & Pro Forma Adjustments</u> \$	(3) <u>After Accounting & Pro Forma Adjustments</u> \$	(4) <u>Proposed Increase</u> \$	(5) <u>After Proposed Increase</u> \$
<u>Operating Revenues:</u>					
Service Revenues - Water	2,644,085	16,523 (A)	2,660,608	367,620 (DD)	3,028,228
Miscellaneous Revenues	93,278	(25,921) (B)	67,357	11,302 (EE)	78,659
Uncollectible Accounts	(23,460)	5,592 (C)	(17,868)	(2,482) (FF)	(20,350)
Total Operating Revenues	2,713,903	(3,806)	2,710,097	376,440	3,086,537
<u>Maintenance Expenses:</u>					
Salaries and Wages	510,194	(122,340) (D)	387,854	0	387,854
Purchased Power	100,580	(1,784) (E)	98,796	0	98,796
Purchased Water - Pass Through	(5,970)	0	(5,970)	0	(5,970)
Maintenance and Repair	145,720	(18,250) (F)	127,470	0	127,470
Maintenance Testing	55,631	(24,341) (G)	31,290	0	31,290
Meter Reading	20,071	(465) (H)	19,606	0	19,606
Chemicals	115,893	(4,684) (I)	111,209	0	111,209
Transportation	89,372	(24,604) (J)	64,768	0	64,768
Operating Expense Charged to Plant	(157,790)	80,589 (K)	(77,201)	0	(77,201)
Total	873,701	(115,879)	757,822	0	757,822
<u>General Expenses:</u>					
Salaries and Wages	231,933	14,960 (L)	246,893	0	246,893
Office Supplies & Other Office Expense	111,102	(7,286) (M)	103,816	0	103,816
Regulatory Commission Expense	18,678	65,097 (N)	83,775	0	83,775
Pension & Other Benefits	144,207	(12,691) (O)	131,516	0	131,516
Rent	858	0	858	0	858
Insurance	74,989	0	74,989	0	74,989
Office Utilities	122,900	(3,097) (P)	119,803	0	119,803
Outside Services - Other	59,525	(4,200) (Q)	55,325	0	55,325
Miscellaneous	(1,135)	(987) (R)	(2,122)	0	(2,122)
Total	763,057	51,796	814,853	0	814,853
Depreciation	415,964	(55,998) (S)	359,966	0	359,966
Amortization of CIAC	(116,254)	(935) (T)	(117,189)	0	(117,189)
Taxes Other Than Income	537,715	60 (U)	537,775	3,625 (GG)	541,400
Income Taxes - State & Federal	68,662	(16,336) (V)	52,326	142,602 (HH)	194,928
Amortization of Investment Tax Credit	(3,729)	0	(3,729)	0	(3,729)
Amortization of Plant Acquisition Adjustment	(4,673)	0	(4,673)	0	(4,673)
Total	897,685	(73,209)	824,476	146,227	970,703
Total Operating Expenses	2,534,443	(137,292)	2,397,151	146,227	2,543,378
Total Operating Income	179,460	133,486	312,946	230,213	543,159
Interest During Construction	(5,125)	5,125 (W)	0	0	0
Customer Growth	0	2,556 (X)	2,556	1,880 (II)	4,436
Net Income for Return	184,585	130,917	315,502	232,093	547,595
<u>Original Cost Rate Base:</u>					
Gross Plant in Service	18,302,565	(1,496,776) (Y)	16,805,789	0	16,805,789
Accumulated Depreciation	(3,593,187)	1,074,866 (Z)	(2,518,321)	0	(2,518,321)
Net Plant in Service	14,709,378	(421,910)	14,287,468	0	14,287,468
Cash Working Capital	204,595	(8,011) (AA)	196,584	0	196,584
Contributions in Aid of Construction	(6,487,854)	(935) (BB)	(6,488,789)	0	(6,488,789)
Accumulated Deferred Income Taxes	(1,184,334)	0	(1,184,334)	0	(1,184,334)
Customer Deposits	(138,631)	0	(138,631)	0	(138,631)
Advances in Aid of Construction	(800)	0	(800)	0	(800)
Plant Acquisition Adjustment	(158,291)	0	(158,291)	0	(158,291)
Total Rate Base	6,944,063	(430,856)	6,513,207	0	6,513,207
Return on Rate Base	2.58%		4.84%		8.41%
Operating Margin	-8.19%		3.35%		10.46%
Interest Expense	406,798	(182,056) (CC)	224,742		224,742

Note: Return on Rate Base in column (1) is calculated by using Total Operating Income divided by Total Rate Base.

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2012
Sewer Operations

<u>Description</u>	(1) <u>Application Per Books</u> \$	(2) <u>Accounting & Pro Forma Adjustments</u> \$	(3) <u>After Accounting & Pro Forma Adjustments</u> \$	(4) <u>Proposed Increase</u> \$	(5) <u>After Proposed Increase</u> \$
<u>Operating Revenues:</u>					
Service Revenues - Sewer	5,635,912	12,317 (A)	5,648,229	645,221 (DD)	6,293,450
Miscellaneous Revenues	128,127	14,867 (B)	142,994	20,479 (EE)	163,473
Uncollectible Accounts	(32,224)	(5,708) (C)	(37,932)	(4,361) (FF)	(42,293)
Total Operating Revenues	5,731,815	21,476	5,753,291	661,339	6,414,630
<u>Maintenance Expenses:</u>					
Salaries and Wages	700,805	(168,046) (D)	532,759	0	532,759
Purchased Power	493,158	0 (E)	493,158	0	493,158
Purchased Sewer - Pass Through	(78,591)	0	(78,591)	0	(78,591)
Maintenance and Repair	771,600	(16,464) (F)	755,136	0	755,136
Maintenance Testing	43,884	(901) (G)	42,983	0	42,983
Meter Reading	27,569	(638) (H)	26,931	0	26,931
Chemicals	159,192	(6,434) (I)	152,758	0	152,758
Transportation	122,761	(20,536) (J)	102,225	0	102,225
Operating Expense Charged to Plant	(216,741)	110,697 (K)	(106,044)	0	(106,044)
Total	2,023,637	(102,322)	1,921,315	0	1,921,315
<u>General Expenses:</u>					
Salaries and Wages	318,585	20,548 (L)	339,133	0	339,133
Office Supplies & Other Office Expense	183,619	(41,016) (M)	142,603	0	142,603
Regulatory Commission Expense	25,657	89,417 (N)	115,074	0	115,074
Pension & Other Benefits	198,083	(17,432) (O)	180,651	0	180,651
Rent	1,178	0	1,178	0	1,178
Insurance	103,005	0	103,005	0	103,005
Office Utilities	168,817	(4,254) (P)	164,563	0	164,563
Outside Services - Other	81,764	(5,769) (Q)	75,995	0	75,995
Miscellaneous	(1,559)	(1,356) (R)	(2,915)	0	(2,915)
Total	1,079,149	40,138	1,119,287	0	1,119,287
Depreciation	768,564	(30,220) (S)	738,344	0	738,344
Amortization of CIAC	(224,627)	(541) (T)	(225,168)	0	(225,168)
Taxes Other Than Income	738,608	19,643 (U)	758,251	6,369 (GG)	764,620
Income Taxes - State & Federal	94,315	192,546 (V)	286,861	250,527 (HH)	537,388
Amortization of Investment Tax Credit	(5,123)	0	(5,123)	0	(5,123)
Amortization of Plant Acquisition Adjustment	(5,189)	0	(5,189)	0	(5,189)
Total	1,366,548	181,428	1,547,976	256,896	1,804,872
Total Operating Expenses	4,469,334	119,244	4,588,578	256,896	4,845,474
Total Operating Income	1,262,481	(97,768)	1,164,713	404,443	1,569,156
Interest During Construction	(7,040)	7,040 (W)	0	0	0
Customer Growth	0	7,867 (X)	7,867	2,732 (II)	10,599
Net Income for Return	1,269,521	(96,941)	1,172,580	407,175	1,579,755
<u>Original Cost Rate Base:</u>					
Gross Plant in Service	38,945,956	364,988 (Y)	39,310,944	0	39,310,944
Accumulated Depreciation	(6,409,908)	864,355 (Z)	(5,545,553)	0	(5,545,553)
Net Plant in Service	32,536,048	1,229,343	33,765,391	0	33,765,391
Cash Working Capital	387,849	(7,774) (AA)	380,075	0	380,075
Contributions in Aid of Construction	(12,064,634)	67,676 (BB)	(11,996,958)	0	(11,996,958)
Accumulated Deferred Income Taxes	(1,626,808)	0	(1,626,808)	0	(1,626,808)
Customer Deposits	(190,424)	0	(190,424)	0	(190,424)
Advances in Aid of Construction	(800)	0	(800)	0	(800)
Plant Acquisition Adjustment	(145,718)	0	(145,718)	0	(145,718)
Total Rate Base	18,895,513	1,289,245	20,184,758	0	20,184,758
Return on Rate Base	6.68%		5.81%		7.83%
Operating Margin	12.40%		8.28%		13.77%
Interest Expense	558,780	137,706 (CC)	696,486		696,486

Note: Return on Rate Base in column (1) is calculated by using Total Operating Income divided by Total Rate Base.

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>\$</u> <u>Combined</u> <u>Operations</u>	<u>\$</u> <u>Water</u> <u>Operations</u>	<u>\$</u> <u>Sewer</u> <u>Operations</u>
<u>Accounting and Pro Forma Adjustments</u>			
<u>Operating Revenues</u>			
(A) Service Revenues			
1 To adjust service revenues to reflect test year customer billings.			
Per ORS	28,840	16,523	12,317
Per CWS	15,892	29,392	(13,500)
(B) Miscellaneous Revenues			
2 To adjust miscellaneous revenues to reflect increase in late payments, notification fees and other revenues.			
Per ORS	(11,054)	(25,921)	14,867
Per CWS	0	0	0
(C) Uncollectible Accounts			
3 To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.			
Per ORS	(116)	5,592	(5,708)
Per CWS	(184)	(261)	77
<u>Maintenance Expenses</u>			
(D) Salaries & Wages			
4 To annualize operators' salaries for the test year.			
Per ORS	(290,386)	(122,340)	(168,046)
Per CWS	(146,411)	(78,637)	(67,774)
(E) Purchased Power			
5 The Company proposes to adjust purchased power in direct correlation with annualized revenues.			
Per ORS	0	0	0
Per CWS	(63)	1,118	(1,181)

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
6 ORS proposes to remove purchased power associated with Indian Pines wells no longer used and useful.			
Per ORS	(1,784)	(1,784)	0
Per CWS	0	0	0
Total Per ORS	(1,784)	(1,784)	0
Total Per CWS	(63)	1,118	(1,181)
(F) Maintenance and Repair			
7 ORS proposes to reduce expenses for nonallowable items.			
Per ORS	(33,251)	(16,793)	(16,458)
Per CWS	0	0	0
8 ORS proposes to remove maintenance and repairs associated with Indian Pines wells no longer used and useful.			
Per ORS	(1,463)	(1,457)	(6)
Per CWS	0	0	0
Total Per ORS	(34,714)	(18,250)	(16,464)
Total Per CWS	0	0	0
(G) Maintenance Testing			
9 ORS proposes to reduce expenses for nonallowable items.			
Per ORS	(23,037)	(22,138)	(899)
Per CWS	0	0	0
10 ORS proposes to remove maintenance testing associated with Indian Pines wells no longer used and useful.			
Per ORS	(2,205)	(2,203)	(2)
Per CWS	0	0	0
Total Per ORS	(25,242)	(24,341)	(901)
Total Per CWS	0	0	0

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
(H) Meter Reading			
11 ORS proposes to reduce expenses for nonallowable items.			
Per ORS	(1,103)	(465)	(638)
Per CWS	0	0	0
(I) Chemicals			
12 The Company proposes to adjust chemicals in direct correlation with annualized revenues.			
Per ORS	0	0	0
Per CWS	907	1,288	(381)
13 ORS proposes to reduce expenses for nonallowable items.			
Per ORS	(11,064)	(4,661)	(6,403)
Per CWS	0	0	0
14 ORS proposes to remove chemicals associated with Indian Pines wells no longer used and useful.			
Per ORS	(54)	(23)	(31)
Per CWS	0	0	0
Total Per ORS	(11,118)	(4,684)	(6,434)
Total Per CWS	907	1,288	(381)
(J) Transportation			
15 To adjust for allocated transportation expense including fuel and auto repairs.			
Per ORS	(45,140)	(24,604)	(20,536)
Per CWS	(46,088)	(25,500)	(20,588)
(K) Operating Expenses Charged to Plant			
16 To adjust operating expense charged to plant (capitalized time) for actual salary expenses and associated taxes and benefits.			
Per ORS	191,286	80,589	110,697
Per CWS	44,221	42,793	1,428

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
<u>General Expenses</u>			
(L) Salaries & Wages			
17 To annualize office salaries for the test year.			
Per ORS	35,508	14,960	20,548
Per CWS	40,855	14,191	26,664
(M) Office Supplies & Other Office Expense			
18 To remove DHEC fines and penalties.			
Per ORS	(31,009)	0	(31,009)
Per CWS	(31,009)	0	(31,009)
19 ORS proposes to reduce expenses for other nonallowable items.			
Per ORS	(17,293)	(7,286)	(10,007)
Per CWS	0	0	0
Total Per ORS	(48,302)	(7,286)	(41,016)
Total Per CWS	(31,009)	0	(31,009)
(N) Regulatory Commission Expense			
20 To amortize current and unamortized prior rate case expenses over a 40 month period.			
Per ORS	154,514	65,097	89,417
Per CWS	340,359	143,385	196,974
(O) Pension & Other Benefits			
21 To annualize pension and other benefits associated with the adjusted test year salaries.			
Per ORS	(30,123)	(12,691)	(17,432)
Per CWS	(7,135)	(5,580)	(1,555)
(P) Office Utilities			
22 ORS proposes to reduce expenses for nonallowable items.			
Per ORS	(7,351)	(3,097)	(4,254)
Per CWS	0	0	0

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
(Q) Outside Services - Other			
23 ORS proposes to reduce expenses for nonallowable items.			
Per ORS	(9,969)	(4,200)	(5,769)
Per CWS	0	0	0
(R) Miscellaneous			
24 The Company proposes to include an adjustment for a Leak Mitigation Program.			
Per ORS	0	0	0
Per CWS	42,507	13,687	28,820
25 ORS proposes to reduce expenses for nonallowable items.			
Per ORS	(2,343)	(987)	(1,356)
Per CWS	0	0	0
Total Per ORS	(2,343)	(987)	(1,356)
Total Per CWS	42,507	13,687	28,820
(S) Depreciation Expense			
26 To annualize depreciation expense for known and measurable plant in service. See Audit Exhibit DFS-5.			
Per ORS	(86,218)	(55,998)	(30,220)
Per CWS	22,500	(12,006)	34,506
(T) Amortization of Contributions in Aid of Construction (CIAC)			
27 To annualize the amortization of CIAC expense. See Audit Exhibit DFS-5.			
Per ORS	(1,476)	(935)	(541)
Per CWS	(7,520)	(4,325)	(3,195)
(U) Taxes Other Than Income			
28 To adjust payroll taxes associated with the adjusted test year salaries.			
Per ORS	(4,440)	(1,871)	(2,569)
Per CWS	23,836	8,384	15,452

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
29 ORS proposes to remove property taxes associated with Indian Pines wells no longer used and useful.			
Per ORS	(1,782)	(751)	(1,031)
Per CWS	0	0	0
30 To adjust gross receipts and utility/commission taxes after the accounting and pro forma adjustments using a factor of .00963081 (.003 for SCDOR and .00663081 for PSC/ORS).			
Per ORS	25,925	2,682	23,243
Per CWS	149	275	(126)
Total Per ORS	19,703	60	19,643
Total Per CWS	23,985	8,659	15,326
(V) Income Taxes			
31 To adjust state and federal income taxes after accounting and pro forma adjustments. See Audit Exhibit DFS-6.			
Per ORS	176,210	(16,336)	192,546
Per CWS	(30,854)	(92,390)	61,536
(W) Interest During Construction (IDC)			
32 To eliminate IDC for rate making purposes.			
Per ORS	12,165	5,125	7,040
Per CWS	12,165	5,125	7,040
(X) Customer Growth			
33 To adjust for customer growth after the accounting and pro forma adjustments. The growth factors of 0.81667% for water and 0.67547% for sewer were computed by the Water and Wastewater Department.			
Per ORS	10,423	2,556	7,867
Per CWS	0	0	0
(Y) Gross Plant in Service			
34 To adjust plant in service for prior rate case adjustments not made by the Company, nonallowable items, recalculated capitalized time and retirements as of December 31, 2012.			
Per ORS	(1,029,771)	(465,931)	(563,840)
Per CWS	(223,885)	(94,004)	(129,881)

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>\$ Combined Operations</u>	<u>\$ Water Operations</u>	<u>\$ Sewer Operations</u>
35 To adjust gross plant in service for net pro forma additions occurring after the test year.			
Per ORS	1,835,888	93,140	1,742,748
Per CWS	3,217,848	349,488	2,868,360
36 To remove excess book value in accordance with previous Commission orders.			
Per ORS	(1,937,905)	(1,123,985)	(813,920)
Per CWS	(718,143)	(416,810)	(301,333)
Total Per ORS	(1,131,788)	(1,496,776)	364,988
Total Per CWS	2,993,963	255,484	2,738,479

(Z) Accumulated Depreciation

37 To adjust accumulated depreciation for pro forma plant additions, retirements, nonallowable items and recalculated capitalized time, as well as, depreciation for vehicles and computers.

Per ORS	650,065	327,156	322,909
Per CWS	603,487	137,314	466,173
38 To remove accumulated amortization of excess book value in accordance with previous Commission orders.			
Per ORS	1,289,156	747,710	541,446
Per CWS	0	0	0
Total Per ORS	1,939,221	1,074,866	864,355
Total Per CWS	603,487	137,314	466,173

(AA) Cash Working Capital

39 To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit DFS-7.

Per ORS	(15,785)	(8,011)	(7,774)
Per CWS	29,767	13,343	16,424

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
(BB) Contributions in Aid of Construction (CIAC)			
40 To adjust CIAC to reflect the amortization of CIAC expense as a result of ORS Adjustment 31 and the CIAC to Revenue adjustment made in Docket No. 2011-47-WS.			
Per ORS	66,741	(935)	67,676
Per CWS	74,210	3,391	70,819
(CC) Interest Expense			
41 To adjust interest on debt using a 52.44% and 47.56% debt to equity ratio and 6.58% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit DFS-8.			
Per ORS	(44,350)	(182,056)	137,706
Per CWS	32,513	(166,588)	199,101
<u>Proposed Increase</u>			
(DD) Service Revenues			
42 To adjust water and sewer service revenues for ORS's recalculation of the proposed rate increase.			
Per ORS	1,012,841	367,620	645,221
Per CWS	2,107,706	656,352	1,451,354
(EE) Miscellaneous Revenues			
43 To adjust miscellaneous revenues for ORS's recalculation of the proposed rate increase.			
Per ORS	31,781	11,302	20,479
Per CWS	0	0	0
(FF) Uncollectible Accounts			
44 To adjust for uncollectible accounts associated with the proposed rate increase.			
Per ORS	(6,843)	(2,482)	(4,361)
Per CWS	(14,121)	(5,823)	(8,298)

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>\$ Combined Operations</u>	<u>\$ Water Operations</u>	<u>\$ Sewer Operations</u>
(GG) Taxes Other Than Income			
45 To adjust gross receipts and utility/commission taxes associated with the proposed increase using a factor of .00963081 (.003 for SCDOR and .00663081 for PSC/ORS).			
Per ORS	9,994	3,625	6,369
Per CWS	19,720	6,141	13,579
(HH) Income Taxes			
46 To adjust state and federal income taxes associated with the proposed increase. See Audit Exhibit DFS-6.			
Per ORS	393,129	142,602	250,527
Per CWS	793,253	246,478	546,775
(II) Customer Growth			
47 To adjust for customer growth after the proposed increase. The growth factors of 0.81667% for water and 0.67547% for sewer were computed by the Water and Wastewater Department.			
Per ORS	4,612	1,880	2,732
Per CWS	0	0	0

Carolina Water Service, Inc.
Depreciation and Amortization Expense Adjustments
Docket No. 2013-275-WS
For the Test Year Ended December 31, 2012

	Combined Operations \$	Water Operations \$	Sewer Operations \$
<u>Depreciation Adjustment</u>			
Gross Plant @ 12/31/12	57,248,521	18,302,565	38,945,956
Add:			
Net Plant Adjustment @ 11/05/13	(1,131,788)	(1,496,776)	364,988
Less:			
Organization @ 12/31/12	110,429	82,784	27,645
Land @ 12/31/12	275,698	185,696	90,002
Vehicles @ 12/31/12	648,703	245,913	402,790
Computers @ 12/31/12	1,839,483	774,912	1,064,571
Northbrook Allocated Plant @ 12/31/12	729,447	307,316	422,131
Net Plant	52,512,973	15,209,168	37,303,805
Plant Depreciation @ 1.5% (66.67 years)	787,695	228,138	559,557
Vehicles @ 12/31/12	648,703	245,913	402,790
Less: Fully Depreciated Vehicles	244,910	82,558	162,352
Net Vehicles	403,793	163,355	240,438
Vehicle Depreciation @ 16.67% (6 years)	67,312	27,231	40,081
Computers @ 12/31/12	1,839,483	774,912	1,064,571
Less: Fully Depreciated Computers	0	0	0
Net Computers	1,839,483	774,912	1,064,571
Computer Depreciation @ 12.5% (8 years)	229,935	96,864	133,071
Indian Pines Extraordinary Retirement	54,441	54,441	0
Amortization @ 6.67% (15 years)	3,631	3,631	0
Northbrook Allocated Plant @ 12/31/12	729,447	307,316	422,131
Add: Northbrook Plant Depreciation	9,737	4,102	5,635
Total Depreciation	1,098,310	359,966	738,344
Less: Per Books Depreciation	1,184,528	415,964	768,564
ORS Depreciation Expense Adjustment	(86,218)	(55,998)	(30,220)
Company's Depreciation Expense Adjustment	22,500	(12,006)	34,506
<u>Amortization of CIAC Adjustment</u>			
Gross CIAC @ 12/31/12	(22,895,480)	(7,812,598)	(15,082,882)
Less: CIAC to Revenue (Docket 2011-47-WS)	71,713	0	71,713
ORS Adjusted CIAC	(22,823,767)	(7,812,598)	(15,011,169)
CIAC Amortization @ 1.5% (66.67 years)	(342,357)	(117,189)	(225,168)
Less: Per Books Amortization of CIAC	(340,881)	(116,254)	(224,627)
ORS Amortization of CIAC Adjustment	(1,476)	(935)	(541)
Company's Amortization of CIAC Adjustment	(7,520)	(4,325)	(3,195)

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Computation of Income Taxes
For the Test Year Ended December 31, 2012

After Accounting & Pro Forma Adjustments			
	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	8,463,388	2,710,097	5,753,291
Operating Expenses	6,655,394	2,348,554	4,306,840
Net Operating Income Before Taxes	1,807,994	361,543	1,446,451
Less: Annualized Interest Expense	921,228	224,742	696,486
Taxable Income - State	886,766	136,801	749,965
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	44,338	6,840	37,498
Less: State Income Taxes Per Book	28,004	11,798	16,206
ORS Adjustment to State Income Taxes	16,334	(4,958)	21,292
Taxable Income - Federal	842,428	129,961	712,467
Federal Income Taxes %	35.0%	35.0%	35.0%
Federal Income Taxes	294,849	45,486	249,363
Less: Federal Income Taxes Per Book	134,973	56,864	78,109
ORS Adjustment to Federal Income Taxes	159,876	(11,378)	171,254
ORS Total Adjustment to Income Taxes	176,210	(16,336)	192,546
After Proposed Increase			
	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	9,501,167	3,086,537	6,414,630
Operating Expenses	6,665,388	2,352,179	4,313,209
Net Operating Income Before Taxes	2,835,779	734,358	2,101,421
Less: Annualized Interest Expense	921,228	224,742	696,486
Taxable Income - State	1,914,551	509,616	1,404,935
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	95,728	25,481	70,247
Less: State Income Taxes As Adjusted	44,338	6,840	37,498
ORS Adjustment to State Income Taxes	51,390	18,641	32,749
Taxable Income - Federal	1,818,823	484,135	1,334,688
Federal Income Taxes %	35.0%	35.0%	35.0%
Federal Income Taxes	636,588	169,447	467,141
Less: Federal Income Taxes As Adjusted	294,849	45,486	249,363
ORS Adjustment to Federal Income Taxes	341,739	123,961	217,778
ORS Total Adjustment to Income Taxes	393,129	142,602	250,527

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Cash Working Capital Allowance
For the Test Year Ended December 31, 2012

After Accounting & Pro Forma Adjustments

	<u>\$ Combined Operations</u>	<u>\$ Water Operations</u>	<u>\$ Sewer Operations</u>
Maintenance Expenses	2,679,137	757,822	1,921,315
General Expenses	<u>1,934,140</u>	<u>814,853</u>	<u>1,119,287</u>
Total Expenses for Computation	4,613,277	1,572,675	3,040,602
Allowable Rate	<u>12.50%</u>	<u>12.50%</u>	<u>12.50%</u>
Computed Cash Working Capital	576,659	196,584	380,075
Less: Cash Working Capital - Application Per Books	<u>592,444</u>	<u>204,595</u>	<u>387,849</u>
ORS Cash Working Capital Adjustment	<u>(15,785)</u>	<u>(8,011)</u>	<u>(7,774)</u>
Company's Cash Working Capital Adjustment	<u><u>29,767</u></u>	<u><u>13,343</u></u>	<u><u>16,424</u></u>

Carolina Water Service, Inc.
Docket No. 2013-275-WS
Return on Equity
Capital Structure at December 31, 2012

Revised Exhibit DFS-8

Combined Operations

Description	(Note) Capital Structure	Application Per Books			After Accounting and Pro forma Adjustments			After Proposed Increase		
		Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 180,000,000	52.44%	6.58%	3.45%	\$ 14,000,413	6.58%	3.45%	\$ 14,000,413	6.58%	3.45%
Members' Equity	163,255,970	47.56%	4.58%	2.18%	12,697,552	4.46%	2.12%	12,697,552	9.50%	4.52%
Totals	\$ 343,255,970	100.00%			\$ 25,839,576			\$ 26,697,965		
										7.97%
										\$ 2,127,350

Water Operations

Description	Capital Structure	Application Per Books			After Accounting and Pro forma Adjustments			After Proposed Increase		
		Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 180,000,000	52.44%	6.58%	3.45%	\$ 3,641,467	6.58%	3.45%	\$ 3,415,526	6.58%	3.45%
Members' Equity	163,255,970	47.56%	-1.67%	-0.79%	3,302,596	2.93%	1.39%	3,097,681	10.42%	4.96%
Totals	\$ 343,255,970	100.00%			\$ 6,944,063			\$ 6,513,207		
										8.41%
										\$ 547,595

Sewer Operations

Description	Capital Structure	Application Per Books			After Accounting and Pro forma Adjustments			After Proposed Increase		
		Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 180,000,000	52.44%	6.58%	3.45%	\$ 9,908,807	6.58%	3.45%	\$ 10,584,887	6.58%	3.45%
Members' Equity	163,255,970	47.56%	6.87%	3.27%	8,986,706	4.96%	2.36%	9,599,871	9.20%	4.38%
Totals	\$ 343,255,970	100.00%			\$ 18,895,513			\$ 20,184,758		
										7.83%
										\$ 1,579,755

Note: ORS used the capital structure of the parent company, Utilities, Inc.